

Higher Education Price Index[®]

What You Need to Know

UNDERSTANDING THE HIGHER EDUCATION PRICE INDEX: DEFINITION AND PURPOSE

What is the Higher Education Price Index?

The Higher Education Price Index (HEPI) is an inflation index designed for higher education institutions that is modeled on their unique cost structure. HEPI tracks the average price level of a fixed market basket of goods and services purchased by colleges and universities through current-fund educational and general expenditures, excluding sponsored research. The index is calibrated to the actual cost structure of academic institutions, making it an appropriate inflation benchmark for higher education, as opposed to the Consumer Price Index (CPI), which reflects household spending patterns.

From its inception in 1961, HEPI was produced by Research Associates of Washington, D.C., and there was a methodological shift in FY1983 that established that year as a baseline for the index. In 2005, Commonfund Institute assumed management of the Index. The Institute manages the database of historical values, publishes the Index, produces quarterly estimates and a final HEPI report, and develops a range of analytical and descriptive materials based on HEPI data.

What does HEPI measure?

HEPI tracks the average price level of a fixed market basket of goods and services purchased by colleges and universities through current-fund educational and general expenditures, excluding sponsored research. The index is calibrated to the actual cost structure of academic institutions, making it the appropriate inflation benchmark for these institutions — not the CPI, which reflects household spending patterns.

What are the HEPI categories?

HEPI is based on price data for nine main components¹ and hundreds of subcomponents for budget items that schools typically procure. The main components are faculty salaries; administrative salaries; clerical salaries; service employee salaries; fringe benefits; miscellaneous services; supplies and materials; utilities; and technology.

Does HEPI apply to all operational expenses?

HEPI does not include insurance, capital expenditure costs, debt service, or student aid, but covers a substantial portion of standard budget expenses.

HEPI VS. CPI: CHOOSING THE RIGHT INFLATION MEASURE

Is HEPI only for higher education institutions?

While HEPI is modeled specifically based on research and analysis of higher education budgets and cost structure, there is evidence of similar structures and trends among other segments such as independent K-12 schools. The key categories and weights that comprise HEPI may be compared with any educational institution's budget to determine whether it is a suitable measure to consider rather than, or in addition to, CPI.

Why should HEPI be considered in addition to or instead of CPI?

Compiled from publicly reported data from governmental and industry sources, HEPI measures the average relative level in the prices of a fixed basket of goods and services purchased by colleges and universities each year through current fund educational and general expenditures, excluding research. HEPI includes nine categories² that cover most of the current operational costs of colleges and universities and is an essential tool enabling schools to determine increases in funding necessary to maintain purchasing power. CPI, on the other hand, is a broad-based measure of inflation in the economy that is modeled on a consumer household budget.

How do HEPI and CPI differ?

CPI tracks consumer goods — food, housing, transportation — but does not account for academic labor market compensation and benefits dynamics. HEPI, by contrast, tracks the actual higher education operating cost basket including the major components and weights that reflect realities of an educational institution. Faculty and staff salaries are its primary inputs, fringe benefits are directly included, and the index is aligned with American Association of University Professors (AAUP) and CUPA-HR salary surveys.³ Select CPI categories such as food, travel, supplies, utilities, and technology are integrated into HEPI with weights that reflect an educational institution's budget. Unlike CPI, HEPI estimates are based on the fiscal year (July 1 to June 30) to align with the higher education budget process and are available by institution type and region.

Over the majority of years being tracked, HEPI has exceeded CPI, reflecting the structurally higher cost pressures unique to higher education. Using CPI as a proxy may systematically understate what institutions must earn to preserve purchasing power. In other words, an investment portfolio that beats CPI may still erode the purchasing power of an endowment if HEPI is running higher. Nearly half of higher education institutions already use an inflation measure in their return objective methodology, according to the [Commonfund Benchmarks Studies](#), but those using CPI may face a gap between their target and actual cost exposure.

HEPI METHODOLOGY AND FRAMEWORK

How does the index work?

HEPI uses FY1983 as its base year, assigned a price value of 100.0. Index values in subsequent years reflect cumulative price level change from that base. An index value of 115.0, for example, represents a 15 percent increase over 1983 prices. Year-over-year changes are expressed as percentage changes and represent the fiscal year (July 1 to June 30).

HEPI is a fixed-weight price index. The weights assigned to the budget components are held constant so that only the effects of price changes — not quantity or quality changes — are reflected in the index. Each year, price changes for each component are weighted according to this base year expenditure pattern. The index is not re-weighted unless there is a substantial, documented change in the buying pattern of colleges and universities.

How often is HEPI updated?

Commonfund Institute executes a periodic assessment of the underlying HEPI components and weights to ensure the measure reflects key shifts in the cost structure for educational institutions. The 2026 update, the most significant in more than two decades, integrates a new technology component and shifts the weights of the eight historical components based on primary and secondary research of their underlying trends.

For more information about the 2026 update, the project methodology, and an impact analysis, see [HEPI Methodology Update](#).

Why are CPI values provided in the HEPI report different from those published by the Bureau of Labor Statistics (BLS)?

Effective with the 2026 HEPI update the HEPI report will benchmark the final HEPI inflation figure against the 12-month percentage change in CPI as of fiscal year-end, replacing the previously reported average month-to-month change. The prior methodology, which averaged month-to-month changes throughout the fiscal year, captured intra-year volatility but did not provide a direct, period-consistent comparison to the broader inflation environment. The year-over-year CPI figure as of fiscal year-end offers a standardized, point-in-time measure that more accurately reflects cumulative inflationary pressure over the same horizon as the HEPI calculation, improving comparability and analytical clarity.

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Scan the QR code to sign up for quarterly HEPI updates and advance access of the annual report.



HEPI ESTIMATES AND REPORT

What is included in the quarterly HEPI estimates?

Quarterly HEPI estimates are typically published three times annually, in April, June, and August, and are based on preliminary data from the index's underlying data sources as they become available. The model is updated as additional data is made available throughout the calendar year, culminating in December when all final data and their revisions are published.

It is important to note that the release of data inputs to HEPI occur on a lagged basis, and the first fiscal year estimate occurs roughly three quarters of the way through that fiscal year (e.g. April 2026, when the first estimate for FY2026 ending June 30 is released). However, April and June quarterly estimates are forward looking and serve as a forecast of the full fiscal year's year-over-year inflation rate.

HEPI estimates provide a benchmark for assessing an institution's actual cost experience throughout the year and make informed mid-year adjustments. When institutional costs are rising faster than CPI, quarterly HEPI estimates also provide an authoritative, sector-specific basis for explaining that divergence to boards, legislators, and other stakeholders. They can further equip teams to begin planning for the next fiscal year with a more complete understanding of the current year's inflationary outcomes.

What is included in the annual HEPI report?

The annual HEPI report, published each December, presents finalized inflation data for HEPI in aggregate and across each of the nine HEPI expenditure categories for the prior fiscal year ending the previous June 30. The report documents historical trends in both overall and component-level inflation, alongside comparative analyses against the CPI.

Additionally, the report provides regional inflation estimates derived from geographic variation in faculty salaries and fringe benefits across nine defined regions, as well as HEPI estimates by institution type (e.g., public versus private and Carnegie classification [doctoral, master's, public 2-year college, and private baccalaureate]).

PRACTICAL APPLICATIONS OF HEPI

How is HEPI used?

HEPI is used in a variety of ways to model the funding and revenue required to preserve purchasing power for an institution in perpetuity, including but not limited to:

- *Investment Management, Return Targeting and Asset Allocation:* Institutions should set a long-term nominal return objective to measure whether real purchasing power is being preserved. HEPI can serve as a real return hurdle when stress-testing portfolio scenarios, and a higher HEPI environment implies greater need for return-seeking allocations to offset cost inflation.
- *Institutional Budgeting:* The most frequent use of HEPI is in projecting the minimum budget increase required to preserve purchasing power. If HEPI is higher than CPI, then using CPI in budget meetings can underestimate funding requirements and cause real erosion in programmatic capacity over time. Further, if institutional costs rise faster than CPI, HEPI estimates can provide a sector-specific basis for explaining that divergence to boards, legislators, and other stakeholders.
- *Endowment Spending Policy:* Institutions that use a hybrid spending methodology, sometimes called the Yale model, blend a moving average calculation with an inflation-adjusted figure. The inflation component is intended to anchor spending to the real cost of institutional operations, preventing purchasing power erosion in down markets and moderating growth in strong ones. Using HEPI may produce a more accurate reflection of what it costs to maintain programmatic capacity
- *Tuition Rate Determination:* HEPI can provide boards and finance committees a more accurate basis for calibrating what rate increase is necessary to maintain program quality — and a more credible external reference point when that number exceeds what CPI-based expectations would suggest.

Implementation will engage different stakeholders depending on context — investment staff and external partners for return objectives and endowment reporting; budget and finance staff for operating budget applications; and trustees for spending policy and tuition deliberations. In each area, the underlying question is whether the inflation measure in use adequately reflects the institution’s higher education cost experience. A comprehensive review of HEPI’s applicability across each of these areas may require reviewing relevant policies and practices, potentially including more formal assessment of the investment policy statement and related governance frameworks.

ENDNOTES

- 1 As of the 2026 HEPI Update. For more information about the 2026 update, the project methodology, and an impact analysis, see [HEPI Methodology Update](#).
- 2 Ibid.
- 3 AAUP Faculty Compensation Survey and CUPA-HR Higher Ed Workforce Surveys.

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